

INSURANCE SUBCOMMITTEE
Thursday, May 5, 2016
Committee Room – 2nd Floor – City Hall
11:00 a.m.

The Insurance Subcommittee met on the above date and time with the following members present: Chair Mayor Pro Tempore Cora Cole-McFadden, Council Members Eddie Davis and Steve Schewel.

Absent: None

Also present: Deputy City Manager Wanda Page, Human Resources Director Regina Youngblood and Diana Schreiber, Deputy Clerk.

Mayor Pro Tempore Cole-McFadden called the meeting to order at 11:00 a.m.

Human Resources Director Regina Youngblood provided background on the request to consider giving health benefits to council members who served ten years or more prior to leaving service; referenced HRM-508, Benefits Policy, and explained its limitations; and proposed two options:

(Option 1) RHS (Retirement Health Savings Account) Plan Participation: Allow council members to pay 2% of their stipends into the RHS Plan that would be matched by the city contribution of \$35.00 per pay period; this plan would provide predictable cost exposure of \$6,370 annually; and

(Option 2) Health Plan Coverage until Age 65: Allow council members to have health care coverage on the city's plan until age 65. Currently, 4 of 7 council members are at 65 and would qualify for the Medicare supplement with the city's cost exposure of \$6,045 annually. For the two remaining council members who would be under the age of 65 after ten years of service, the city would pay for their premiums and claims and estimated the potential cost exposure at \$10,092.60 annually for each member based on average claims per employee per month of \$841.05 (based on the last three plan years 2012-13 to 2014-15). The two council members who were currently under the age of 65 and would be under the age of 65 after serving ten years of service would be carried on the city's health plan for approximately 9 and 20 years, respectively.

Council Member Davis inquired about former council members who have served on Council over ten years such as Howard Clement.

Director Youngblood responded that it was City policy to make changes prospectively rather than retrospectively; and that those individuals would not be eligible unless Council decided to make them eligible.

Council Member Schewel arrived at the meeting at 11:08 a.m.

Mayor Pro Tempore Cole-McFadden asked about the average Medicare Supplement cost.

Medicare Supplement expenses were based on an individual's age: If 65 years of age, the city would pay \$93/month toward cost of the Supplement consisting of Plan A through J; if 66-69, \$97/month; 70-74, \$104/month; over 75, \$109/month.

Mayor Pro Tempore Cole-McFadden stated that if the Council approved Option 2, then the City would be comparable to the County's benefits.

Director Youngblood concurred; and stated that to implement Option 2, it would be necessary to make exceptions to HRM Policy 508 and to the eligibility guidelines for the Medicare Supplement.

Council Member Schewel inquired about the difference between the two options.

Ms. Youngblood explained that Option 1 offered employees hired after July 1, 2008 the mandatory Retirement Health Savings (RHS) plan; explained the RHS vesting process consisting of service years: 10 yrs+-50% vested, 15 years+-75% vested, and 20+ years – 100% vested; and participants could use fund for eligible medical expenses including copays, premiums; and Option 2 impacted employees hired prior to July 1, 2008, allowing them to remain on city's health insurance plan until age 65 and offered them a city-paid Medicare Supplement from the age of 65 on up.

Council Member Schewel noted that the potential costs of Option 2 were very large amounting to \$10,092.60 annually for each Council member.

Council Member Davis asked if all council members would have to commit monthly toward the RHS (Retirement Health Savings) account.

Director Youngblood explained that Option 1 consisted of a 2% mandatory contribution to the RHS account impacting all council members, without an opt out; upon separation, the funds would be returned to the council member for eligible medical expenses; if a council member stayed at least ten years 50% of the city's monies would be vested; ICMA-RC held and distributed RHS funds; and stated the contributions were considered pre-tax.

Deputy City Manager Page stated the reason that council members were not already included into the plan was because they were not part of the retirement system.

Council Member Davis asked about cashing out of funds at the end of service.

Council members would be reimbursed for qualified medical expenses by ICMA-RC.

Council Member Schewel estimated the 2% RHS contributions amounted to \$420/year.

Ms. Page explained that coverage was changed on July 1, 2008 due to the extreme costs of health insurance for health care provided to employees up to the age of 65 and who had worked for the city for ten years.

Council Member Schewel stated that he was not comfortable allowing Council to assume coverage that currently hired employees did not receive; and if a person was well insured, the RHS account did not provide much benefit.

Mayor Pro Tempore Cole-McFadden stated she supported Option 2.

Ms. Youngblood explained that both options involved the same amount of work.

Mayor Pro Tempore Cole-McFadden asked about attrition rate of retirees, retirees who had fallen off the plan.

Ms. Youngblood responded that she could research and provide that information to the committee members; and stated there was no maximum age of the Medicare Supplement.

Council Member Davis referenced a scenario of a younger member of Council, Option 1, then person would contribute 2% to the RHS account during those ten years; at that point the person was 50 years old, what would the person be eligible for.

Director Youngblood stated that Option 1, a 50 year old could immediately access funds for eligible health expenses; and, when vested could access the employer portion.

Option 2 would make council members equal to employees hired prior to July 1, 2008 with a Medicare Supplement paid by the City.

Mayor Pro Tempore Cole-McFadden called for a vote.

Council Member Schewel worried about financial liability of Option 2 and acknowledged current employees did not receive the benefits; Option 1, was differentially beneficial to council members and that there could be council members who did not want the RHS account.

Council Member Davis would be willing to go along with Option 1 if it was something that other council members wanted.

Council Member Schewel was opposed to Option 2; if Council wanted Option 1, he would go along with it.

MOTION by Council Member Schewel, seconded by Council Member Davis, to bring Option 1 to Council with a neutral recommendation was approved at 11:53 a.m. by the following vote: Ayes: Davis, Schewel. Noes: Cole-McFadden.

Deputy City Manager Page was instructed to request the City Manager to place the item on the upcoming agenda.

With no further business to discuss Mayor Pro Tempore Cole-McFadden adjourned the meeting at 11:54 a.m.

Diana Schreiber, Deputy Clerk